

CRYPTO NEWS

01/11/2018 Edition 3

Introduction from our MD, Lee Byrne

We continue to work closely with leading cryptocurrency technology businesses and regulatory firms to provide advisory and training support on cryptoassets.

The management of financial crime risks relating to cryptoassets is an area of increasing focus for regulators and law enforcement around the world.

This news update is provided to our existing clients, and the wider risk and compliance community, to help to de-mystify this important subject and to report on some of the key regulatory developments that we have observed.

We believe that this is important as the world moves towards global standards in regulating cryptoassets.

Enjoy!

International Cryptoasset Regulatory Developments

In this issue we will be highlighting some of the very latest developments, as we continue to monitor wider international adoption, recognition and the regulation of crypto-related activity.

Global Regulatory Developments

Financial Action Task Force (FATF)

*FATF makes changes to the
FATF 40 Recommendations
and Glossary*

At the plenary meeting in October 2018, FATF published notes that clarify how the Recommendations apply in the case of financial activities involving virtual assets.

These changes add to the Glossary new definitions of “virtual

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***Design and Delivery
Inhouse Cryptoasset
Training Programmes***

We are currently engaged with several leading UK and International firms designing and delivering in-house programmes of learning for teams between 6-1000 employees.

Our list of services includes:

- Learning Content Design & Delivery
- Hot topic briefings
- Senior Leadership Support

We would be delighted to learn more about your needs and how we might create a solution for you.

For further information,
please contact us at:

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assets” and “virtual asset service providers” – such as exchanges, certain types of wallet providers, and providers of financial services for Initial Coin Offerings (ICOs).

They make clear that jurisdictions should ensure that virtual asset service providers are subject to AML/CFT regulations, for example conducting customer due diligence including ongoing monitoring, record-keeping, and reporting of suspicious transactions. They should be licensed or registered and subject to monitoring to ensure compliance.

FATF urge all jurisdictions to urgently take legal and practical steps to prevent the misuse of virtual assets. This includes assessing and understanding the risks associated with virtual assets in their jurisdictions, applying risk-based AML/CFT regulations to virtual asset service providers and identifying effective systems to conduct risk-based monitoring or supervision of virtual asset service providers. Some jurisdictions already regulate virtual asset activity in accordance with the 2015 guidance.

The FATF emphasises that ju-

risdictions have flexibility to decide under which AML/CFT category of regulated activities virtual asset service providers should be regulated, e.g. as financial institutions, DNFBPs, or as another, distinctive category.

The FATF will also review the scope of activities and operations covered in the amended Recommendations and Glossary in the next 12 months and consider whether further updates are necessary to ensure the FATF Standards stay relevant

<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/regulation-virtual-assets.html>

World Economic Forum

“Building Block(chain)s for a Better Planet”

The World Economic Forum is the International Organization for Public-Private Cooperation.

The Forum engages political, business and other leaders of society to shape global, regional and industry agendas.

Established in 1971, it is a

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Online Certified Virtual Currency Programme

This online course is one of the most exciting financial crime courses in our portfolio and aims to demystify the management of virtual currency (VC), also known as cryptography and Distributed Ledger Technology.

Delegates will benefit from understanding more about the development of VC and how to manage associated financial crime risks.

Core learning is provided via a detailed course manual, with additional media providing further help and guidance on some of the course’s key learning points.

The course is delivered in association with the University of Gloucestershire, and students who are successful will be permitted to use the designation ‘AdvCertVC’ to confirm their qualification.

<https://www.greatchatwellacademy.com/solutions/solutions-for-you/advanced-certificate-in-managing-virtual-currency-and-financial-crime-risks-2018>

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Public Workshops with CPD credits

Delegates who require CPD recognition as part of their continuous professional development will be delighted to learn that our training can now be awarded with CPD points.

GCAL is now a member of the CPD Certification Service and we are now offering a series of exciting and engaging public financial crime compliance workshops that will provide delegates with the very latest regulatory news and best practices covering a range of financial crime risk and compliance subjects.

We are particularly excited to be able to offer the 'Certificate in Conducting Forensic Customer Due Diligence' which offers attendees with an opportunity to develop new skills and to go beyond simple paper-based due diligence checks and look at technology based investigative skills and procedures that utilise technology.

<https://www.greatchatwellacademy.com/solutions/solutions-for-you/public-workshops/certificate-in-conducting-forensic-customer-due-diligence>

not-for-profit foundation and is headquartered in Geneva, Switzerland.

The relevance of the Forum is in shaping future policy on managing cryptoassets due to its independence, impartiality and that it is not tied to any special interests.

This report outlines how blockchain could disrupt the way the world manages environmental resources and help drive sustainable growth and value creation. It identifies more than 65 use-cases where blockchain can be applied to the world's most-pressing environmental systems challenges, along with eight 'game changers' where the technology could fundamentally disrupt current systems and approaches.

The report also highlights many of the current challenges that need to be addressed, outlines a set of principles for developing blockchain applications for the environment, and identifies the need for global platforms to support a responsible blockchain ecosystem.

<https://www.weforum.org/reports/building-block-chain-for-a-better-planet>

Europe

*European Parliament
resolution on distributed
ledger technologies and
blockchains: building trust
with disintermediation*

On 3rd October the EU Parliament passed a Resolution that aims to develop the EU's position and authority over the development of blockchain applications and regulation.

Proposals include:

That any regulatory approach toward DLT should be innovation-friendly, should enable passporting, and should be guided by the principles of technology neutrality and business-model neutrality;

Urging the Commission and the Member States to develop and pursue digital skills training and retraining strategies.

Asks the Commission and the Member States to develop common initiatives to raise awareness and train citizens, businesses and public administrations with a view to facilitating the comprehension and uptake of this technology.

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2018-0373&language=EN&ring=B8-2018-0397>

United Kingdom

Parliamentary Treasury Committee Report on Digital Currencies and the future landscape of regulation and risks

The Treasury Committee launched its Digital Currencies inquiry on 22 February 2018 and on 19th September 2018 published findings that include the following highlights:

“despite the widespread use of the term, the Committee heard that there are no “cryptocurrencies” that perform the functions that are generally understood to define the term “currency”. They are not acting as a medium of exchange; they are not particularly good as a store of value, given the volatility; and they are certainly not being used as a unit of account.

Although about 500 independent shops might say they accept bitcoin, you do not see many people pricing or receiving their wages in Bitcoin.

In the current environment, it looks like [cryptocurrencies] are mostly being used for speculation and as vehicles for potentially relatively quick gains or losses. They are definitely [on] the asset side.”

The Committee considered that the use of the term “crypto-assets” was considered to be more accurate and appropriate. This is entirely consistent with the update from FATF (see previously).

The report appears to support a view that the U.K. is now moving in a considered fashion, towards regulation of firms that issue, are dealing in or advising on cryptoassets.

For more on this go to:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/910/91005.htm>

United States

FinCEN publishes notice including an update on the use of cryptocurrency by Iran

A new advisory notice that has been published by FinCEN, “Iranian regime’s illicit

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We are particularly excited to be able to offer this on our new Advanced CDD course, that develops new skills that go beyond simple paper-based due diligence checks and looks at technology based investigative skills and procedures that utilise technology.

<https://www.greatchatwellacademy.com/solutions/solutions-for-you/public-workshops/certificate-in-conducting-forensic-customer-due-diligence>

and malign activities and attempts to exploit the financial system”, includes reports that Iran move at least \$3.8 million per year in Bitcoin denominated transactions.

“While the use of virtual currency in Iran is comparatively small, virtual currency is an emerging payment system that may provide potential avenues for individuals and entities to evade sanctions,” the advisory said.

The Central Bank of Iran has banned domestic financial institutions from using cryptocurrencies, but the report claims that individuals and businesses in Iran are still able to access cryptocurrency platforms through various means, including “Iran-located, internet-based virtual currency exchanges; US- or other third country-based virtual currency exchanges; and peer-to-peer (P2P) exchanges”.

FinCEN reminded users of cryptocurrencies that compliance with sanctions applied to any transaction, regardless of whether a transaction was performed in virtual currency or fiat currency.

“Financial institutions and virtual currency providers that have [Bank Secrecy Act] and US sanctions obligations should be aware of, and have appropriate systems to comply with, all relevant sanctions requirements and anti-money laundering and combating the financing of terrorism obligations.”

<https://www.fincen.gov/sites/default/files/advisory/2018-10-11/Iran%20Advisory%20FINAL%20508.pdf>

Japan

Japan Virtual Currency Exchange Association is authorised to police and sanction exchanges for any violations

Japan's Financial Services Agency (FSA) has given the cryptocurrency industry self-regulatory status, permitting the Japan Virtual Currency Exchange Association to police and sanction exchanges for any violations.

The FSA approval gives the industry association rights to set rules to safeguard customer assets, prevent money laundering, and give opera-

tional guidelines.

Japan last year became the first country to regulate cryptocurrency exchanges, as it encourages technological innovation while ensuring consumer protection.

There are 16 approved crypto exchanges. FSA has not granted any new approval since December last year.

<https://www.reuters.com/article/us-japan-cryptocurrency/japan-grants-cryptocurrency-industry-self-regulatory-status-idUSKCN1MY10W>

Norway

New Rules Effective from 15th October 2018

Finanstilsynet, the Financial Supervisory Authority (FSA) of Norway, announced that the country's Ministry of Finance has established new money laundering regulations which apply to "Norwegian providers of virtual currency exchange and storage services."

While the new rules apply from October 15th, 2018, companies have until January 15th,

2019 to comply.

"The law applies to reporting companies established in Norway, including branches of foreign companies".

<https://www.finanstilsynet.no/tema/hvitvasking-og-terrorfinansiering/hvitvaskingslovens-anvendelse-for-virtuell-valuta/>

Trade and Finance

Trade finance solution Voltron launches open platform on Corda blockchain

The Voltron initiative has launched the open platform for documentary trade, targeting production on R3's Corda Enterprise blockchain platform in 2019. Founding members of Voltron include Bangkok Bank, BNP Paribas, CTBC Holding, HSBC, ING, NatWest, SEB and Standard Chartered. Voltron's initial aim is to use blockchain technology to bring significant efficiencies to transacting letters of credit.

Collaboration with corporate customers has been critical in shaping the initiative, with a successful live transaction with

Cargill in May 2018 demonstrating the viability of the platform. Voltron is continuing to extend its corporate customer programme to undertake more live transactions and is in active discussions with a number of corporates.

Corporate customers will be able to connect with their banks and trading partners via a single, simplified channel, for both issuance of letters of credit and presentation/exchange of documents across an open network. This new model provides legal enforceability of title documents and greater digitisation across business networks on Corda, addressing the challenge of today's digital islands bridged by paper-based processes.

<https://www.r3.com/news/trade-finance-solution-voltron-launches-open-platform-on-corda-blockchain/>

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